

Message Text

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TAGS: ECON, ETRD, FI

SUBJECT: FINLAND'S 1975 BALANCE OF TRADE: RECORD HIGH DEFICIT

REF: 75 HELSINKI 2662

1. SUMMARY: PRELIMINARY STATISTICS RELEASED BY CUSTOMS BUREAU REVEAL THAT FINLAND'S 1975 TRADE DEFICIT WAS FMK 7.7 BILLION (US\$ 2.02 BILLION). DEFICIT IS FINLAND'S LARGEST EVER AND EXCEEDS LAST YEAR'S RECORD OF ALMOST FMK 5 BILLION BY NEARLY FMK 3 BILLION. OVERWHELMING SHARE OF FINLAND'S TRADE DEFICIT WAS WITH WESTERN COUNTRIES (FMK 6.7 BILLION). 1975 TRADE DEFICIT IS EQUIVALENT TO ABOUT ONE-THIRD OF FINLAND'S 1975 EXPORTS AND 8 PERCENT OF GROSS DOMESTIC PRODUCT (GDP). FINLAND'S CURRENT ACCOUNT DEFICIT TOTALED FMK 8.1 BILLION. NET FOREIGN INDEBTEDNESS IS FMK 20 BILLION, ABOUT ONE-FIFTH OF UNCLASSIFIED

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FINNISH GDP.

2. FINLAND'S TOTAL FOREIGN TRADE (EXPORTS PLUS IMPORTS) GREW LAST YEAR BY 4 PERCENT IN VALUE, REACHING FMK 48.2 BILLION. IN CONTRAST, TOTAL FOREIGN TRADE IN 1974 WAS ALMOST 49 PERCENT ABOVE THE 1973 TOTAL. VALUE OF 1975 EXPORTS FELL BY TWO PERCENT WHILE EXPORT VOLUME DECLINED BY 18 PERCENT. LAST YEAR'S EXPORTS TOTALED FMK 20.2 BILLION. VALUE OF 1975 IMPORTS GREW BY 9 PERCENT WHICH WAS ENTIRELY THE RESULT OF INFLATION, I.E. IMPORT VOLUME REMAINED AT 1974 LEVEL. FINLAND'S TOTAL IMPORTS IN 1975 WERE FMK 28 BILLION. IN 1975 AS IN 1974 EXPORT PRICES INCREASED SOMEWHAT FASTER THAN IMPORT PRICES. HOWEVER, FASTER INCREASE IN EXPORT PRICES IS ASSOCIATED WITH HIGH DOMESTIC INFLATION AND MAY EXPLAIN PART OF DECLINE IN FINNISH EXPORT VOLUME.

3. FINLAND'S FOREIGN TRADE MOVED SOMEWHAT TOWARDS EQUILIBRIUM DURING LAST QUARTER OF 1975 WITH EIGHTY-TWO PERCENT OF 1975 TRADE DEFICIT OCCURRING DURING FIRST THREE QUARTERS OF YEAR. DECEMBER IMPORTS AND EXPORTS WERE RESPECTIVELY FMK 2.4 AND 2.2 BILLION, GIVING DECEMBER TRADE DEFICIT LESS THAN ONE-THIRD OF AVERAGE MONTHLY RATE FOR FIRST 9 MONTHS. CUSTOMS BUREAU REPORTS THAT DECEMBER EXPORTS CONTAINED USUALLY LARGE DELIVERIES FROM METAL INDUSTRY (PRIMARILY SHIPS). THUS TRADE BALANCE IN EARLY 1976 NOT LIKELY BE NEARLY AS GOOD AS DECEMBER 1975.

4. EXPORTS FROM FOREST INDUSTRY SUFFERED GREATEST DECLINE IN 1975. VOLUME OF FOREST-BASED EXPORTS DECLINED BY ONE-THIRD WHILE VALUE OF THOSE EXPORTS DECLINED BY FMK 1.6 BILLION. FOREST-BASED EXPORTS IN 1975 TOTALED FMK 9.4 BILLION. FOR
OO INDUSTRY'S
SHARE OF TOTAL EXPORTS WAS 46.4 PERCENT VS. 53.3 PERCENT IN 1974. INTERNATIONAL RECESSION DID NOT HAVE NOTICEABLE EFFECT ON EXPORTS FROM METAL INDUSTRY, MUCH OF WHICH GOES TO EASTERN COUNTRIES. THESE EXPORTS GREW BY FIFTH AND TOTALED FMK 6.5 BILLION OR 30 PERCENT OF TOTAL EXPORTS. SHIP EXPORTS GREW BY THIRD AND WERE FMK 1.7 BILLION. ALSO EXPORTS OF FOOT-
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WEAR AND TEXTILES INCREASED IN 1975. EXPORTS OF CHEMICAL PRODUCTS DECLINED BY 15 PERCENT.

5. IMPORTS INCREASED LAST YEAR BY FMK 2.3 BILLION, ALTHOUGH VOLUME REMAINED AT 1974 LEVEL. CAUSE WAS INCREASED PURCHASES OF FINISHED GOODS. IMPORTS OF RAW MATERIALS DID NOT INCREASE IN 1975 AND ENERGY IMPORTS DECREASED. EXCLUDING CRUDE OIL, IMPORTS OF RAW MATERIALS WERE FMK 14 BILLION OR HALF

OF TOTAL IMPORTS. LARGEST SHARE OF THESE IMPORTS WERE USED BY METAL INDUSTRY. ENERGY IMPORTS WERE FMK 4.6 BILLION OR 16 PERCENT OF TOTAL IMPORTS. VALUE OF THESE IMPORTS DECLINED BY 8 PERCENT. IMPORTS OF CRUDE OIL COST FMK 3 BILLION WHICH WAS TWO PERCENT LESS THAN IN 1974. VALUE OF INVESTMENT GOODS IMPORTS INCREASED BY 35 PERCENT (FMK 1.3 BILLION). PURCHASES OF SHIPS FROM ABROAD TOTALED FMK 800 MILLION WHICH WAS TWICE AS HIGH AS IN 1974. AIRPLANE IMPORTS TOTALED FMK 200 MILLION. MACHINERY IMPORTS WERE FMK 3.6 BILLION OR FOURTH HIGHER THAN LAST YEAR. VALUE OF ALL INVESTMENT GOODS IMPORTS WAS FMK 5.2 BILLION OR NEARLY FIFTH OF ALL IMPORTS. IMPORTS OF CONSUMER GOODS WERE FMK 4 BILLION OR 14 PERCENT OF TOTAL IMPORTS. GROWTH IN IMPORTS OF CONSUMER GOODS WAS 20 PERCENT BUT GROWTH RATE SLOWED DURING LAST HALF OF 1975.

6. DISTRIBUTION OF FINLAND'S TRADE DEFICIT BY REGION AND COUNTRY:

DEFICIT
(MILLIONS OF FMK)

WESTERN TRADE (NON-SOCIALIST COUNTRIES)	6,700
WEST GERMANY	2,355
USA	894
SWEDEN	868
FRANCE	452
JAPAN	537
OTHER	1,594

EASTERN TRADE (SOCIALIST COUNTRIES)	1,000
SOVIET UNION	540
POLAND	359
OTHER	101

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NOTE: ONLY SIZABLE FINNISH FAVORABLE TRADE BALANCES WERE WITH ENGLAND AND NORWAY OF, RESPECTIVELY, FMK 502 AND 230 MILLION.

7. PRELIMINARY STATISTICS FROM BANK OF FINLAND INDICATE THAT CURRENT ACCOUNT DEFICIT WAS FMK 8.1 BILLION. FINNISH FOREIGN EXCHANGE EARNINGS FROM "INVISIBLES" TOTALED FMK 1 BILLION (ABOUT SAME VALUE AS IN 1974). INTEREST PAYMENTS ON FOREIGN BORROWINGS INCREASED BY ONE-HALF IN 1975 FOR TOTAL OF FMK 1.5 BILLION. INTEREST PAYMENTS ON FOREIGN DEBT COST NEARLY ONE MONTH OF EXPORT EARNINGS.

8. FINLAND'S NET FOREIGN INDEBTEDNESS INCREASED BY TWO-THIRDS (FMK 8 BILLION) IN 1975 AND NOW TOTALS FMK 20 BILLION

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FOREIGN INDEBTEDNESS IS ABOUT ONE-FIFTH OF GDP, WHICH AFTER NORWAY IS HIGHEST RELATIVE FOREIGN INDEBTEDNESS OF ANY WESTERN COUNTRY. FINLAND'S FOREIGN DEBT WILL CONTINUE TO GROW FASTER THAN GDP AND WILL LIKELY APPROACH ONE-FOURTH OF GDP BY END OF 1976.

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